

STATEMENT OF PURPOSE

RS20672C1

Idaho Employment Act (IDEA): Idaho's business income tax is second highest in the west only to California in creating roadblocks to keeping and recruiting new business and jobs to Idaho. With the understanding that corporations report income under Idaho's Corporate Tax, and S-Corps, LLCs and PLLCs report income under Individual Income this change must impact both the individual and Corporate tax rates to impact business. Reducing these taxes over a 7 year period will enable Idaho's current businesses to re-invest and create jobs while also more readily attracting out of state business providing more jobs and stimulating the Idaho economy. As proven time and time again, as goes the economy, so goes state revenue.

Key bill benefits starting in FY-13: Reduces Idaho's 8 bracket tax system to 6 brackets while moving income tax above \$6580 down to 5% over 7 years making Idaho competitive to the top 10 states (surrounding us) in business income taxes.

Revenue Safety trigger: The same safety trigger as was used for the Grocery Tax (based on revenue shortfalls) is included where the Governor and Legislative actions can create a "Hold order" if there is an unexpected drop in revenues. (Of course, the Legislature has the ability to address changes to this plan annually.)

The revenue Safety Trigger summary is: Gov must order a temp reduction of general fund spending. Spending reduction must remain in effect on Oct 1 of the tax year for which the rate reduction is to take place. The amount of the reduction must be equal to or exceed 1% of that year's appropriation. Gov must issue an executive order directing the Tax Commission not to apply the new rate for that year.

FISCAL NOTE

No impact on 2011 or 2012 revenue or budgets. Without forecasting of any business or job growth coming from these changes, there will be a reduction in Income Tax revenue starting in 2013 and every year thereafter until the final target of 5% Income Tax rate is reached in 2021 (2020 for Corp Income Tax).

Rolling Impact** FY-13 \$3.7m FY-14 \$21.9m FY-15 \$58.5m FY-16* \$81.7m FY-17* \$176.2m FY-18* \$284.8m FY-19* \$402.8m

*Revenue offset by ~\$15m/yr from the Economic Recovery Reserve Fund (67-3520) used to now pay off the Capital Restoration Bonds (completed in FY-15)

** Rolling Impact is the cumulative impact of the reduction in Income Tax revenue without consideration of business growth the action stimulates.

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